

83-0204

18 February 1983
OGC 83-01392

MEMORANDUM FOR THE RECORD

SUBJECT: 16 February, Testimony of Donald J. Devine, Director, Office of Personnel Management before House Post Office and Civil Service Subcommittee on Compensation and Employee Benefits

1. The undersigned attended a 9:00 a.m. hearing on the Administration's proposed changes to the Civil Service Retirement System. Dr. Devine was the only scheduled witness. Present were Chairwoman Mary Rose Oakar (D., OH), Representatives Mickey Leland, (D., TX), Douglas Bosco (D., CA), William E. Dannemayer (R., CA) and Connie Mack (R., FL) of the Subcommittee, Representative Frank Wolf (R., VA) of the full Committee, and Representative Steny Hoyer (D., MD), a member of the House Appropriations Subcommittee on Treasury--Postal Service and General Government, who was invited by Chairwoman Oakar.

2. Chairwoman Oakar read her opening statement (attached) and Representatives Dannemayer and Hoyer made opening remarks. Dr. Devine submitted his written testimony for the record (attached) and then explained the Administration's proposals to reform the Civil Service Retirement System (CSRS), using a variety of statistics and graphs. He expressed confidence in the quality of the federal work force and said is "the system" that is the problem, not the people. The proposals are meant to result in a federal system that is seen as fair by the American public and rational by federal employees. The proposals were also characterized as an attempt to carry out the principles of the Civil Service Reform Act of 1978, P.L. 95-454, to have an efficient service based on productivity and performance.

3. The specific proposals discussed by Dr. Devine were those contained in the President's Budget for FY 1984:

- raise the normal retirement age from 55 to 65, with the option of retiring at age 55 with an actuarial cut of 5 percent a year for each year under 65 (to be phased in over a ten year period);

- increase employee contributions to 9 percent of salary in 1984 and 11 percent of salary in 1985, while bringing government costs down to 11 percent for a total 22 percent of payroll cost as compared to the current 38 percent;
- freeze the cost-of-living adjustment (COLA) for federal retirees in 1984;
- incorporate a straight 50 percent reduction in the COLA for annuitants under the age of 62 (inferring no "floor" as was put in the Omnibus Reconciliation Act of 1982);
- have all new federal employees after 31 December 1983 go under Social Security;
- development of an additional "staff retirement" plan to supplement Social Security, the costs of which would also be divided equally between the employees and the government, not to exceed 22 percent of payroll;
- institute a voucher system to allow a wider choice of health plans; and
- institute a new review of federal pay comparability.

4. Dr. Devine then underwent three hours of intense questioning. The only individuals on the subcommittee who indicated any support for the Administration's proposals were Representatives Mack and Dannemayer. Representatives Hoyer, Leland, and Wolf and Chairwoman Oakar made it clear by their questions and remarks that they were opposed to the proposals. Representative Hoyer was particularly harsh in his questioning and characterized the proposals as an "insult" to federal employees. Representative Wolf stated his intent to introduce legislation to put an 18-24 month moratorium on these proposals and establish "a little Hoover commission" to study the CSRS and the proposed changes and come back with "a credible report from credible people".

5. Chairwoman Oakar specifically asked whether retirees who are faced with mandatory retirement at an early age, such as law enforcement personnel and firefighters, would be subject to the 5 percent a year reduction in their annuity. Dr. Devine replied that this has not been fully discussed within the Executive Branch. He did state that the OPM view at this point is not to change the retirement for these groups as they constitute such a small percentage of the budget.

*D/OMB did not agree
with Devine on this
point -*

6. There were numerous statistical studies submitted by both Dr. Devine and the subcommittee members during the hearing. It was noted that the only study Dr. Devine questioned as to credibility was the study by the Federal Pay Adjustment Board which recommended no changes be made to the CSRS until pay comparability had been met, which would require a 14-18 percent increase in federal salary levels.

7. There will be further hearing on these proposals and Chairwoman Oakar indicated at the close of the hearing that Dr. Devine may very likely be asked to testify further at a later time. He has subsequently been invited to testify again on 3 March.


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Attachments

(KAD:maw)

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